

INDUSTRY UPDATE

Biweekly Period Ending June 15, 2002

Phoenix Metro Area

Manufacturing

Between **50 and 60 employees** will be **hired** due to the **move** of **Lockheed Martin's Tactical Ground Systems unit to Goodyear** from San Jose. The major defense manufacturer, which employs about 500 in Goodyear, was recently awarded a \$200 billion contract to develop the military's next tactical fighter plane, replacing the F-16. About 25 employees will transfer from San Jose, with the rest hired over the next several months.

Construction

Although the **commercial and industrial construction** sectors have slowed in the Phoenix metro area, these sectors **remain strong in Chandler** (also see "Services," below). **Work** recently **began** on a **30-acre business park** (McClintock Road and Chandler Boulevard) and on the **second phase** of a **major office project** (Loop 101 and Ray Road). Expected to be completed by the end of 2002, **Metro Commercial Properties** of Tempe is **developing** a five-building office complex called **The Stellar Business Center**, which will offer 1.5- to 4-acre parcels that can be used as offices or warehouse showrooms. About a mile to the north, **J.F. McKinney & Associates LTD** has **started** work on the **second** 125,000-square-foot **building** of the two-building **San Tan Corporate Center**. When completed in March 2003, the two buildings will **house about 1,000 employees** of various financial and business service companies. Toyota Financial Services, the leasing and lending arm of Toyota, employs several hundred workers in the first San Tan building, which was completed in fall 2000 and is 100 percent leased.

Trade

Sara Lee Corp. was expected to **break ground** in July on a 150,000-square-foot **food distribution center in Tolleson** that is expected to **employ** about **100 people** when it **opens next January**. The Chicago-based food and consumer-products company will use the warehouse to distribute meat products (e.g., Ball Park Franks) throughout the Southwest. The refrigerated facility will be managed and operated by Total Logistic Control, a subsidiary of C2 Inc. of Zeeland, Mich.

Scottsdale-based **Kahala Corp.** recently **purchased** a New York City-based **chain** of **grilled-chicken outlets called Ranch 1** with the intent of **expanding** the chain **from 51 to 1,000 stores**. Kahala, which franchises four other health-conscious food chains, paid \$6 million for Ranch 1, which primarily is located on the East Coast, but recently opened three locations in local malls. Kahala expects to **open** about a **half-dozen other Ranch 1 locations** in the **Valley**.

Services

In mid-June, **Chandler Regional Hospital** (475 S. Dobson Road) partially **opened** a **new** \$30 million, 123,000-square-foot **wing**. Now available for use are an outpatient imaging center, women's health center, two radiology suites, and CT and MRI scanners. Expected to open in the fall will be a new emergency department that will include 20 new treatment stations, four operating rooms, and a cardiac catheterization laboratory. Patient loads at Chandler Regional, which range from 75 percent to 90 percent, are rising about 3 percent a year.

Tucson Metro Area

Services

The **weak economy hasn't hurt America Online's operations in Tucson**. The nation's largest Internet provider, with about 35 million customers, expects to **add nearly 300 positions** to its **call-center and software-development operations**, bringing employment in the metro area to just under 1,700. AOL started its affiliation with Tucson in 1994, opening a call center with 30 employees. But since September 1999, the Virginia-based company has grown from 350 to 1,400 employees and now operates out of three buildings in central Tucson (Rosemont Avenue and Williams Boulevard). Entry level call-center positions pay \$8 an hour, while technical positions offer wage-and-benefit packages worth up to \$50,000 annually. For more information about AOL job opportunities in Tucson, call 877-AOL2Day or log on to: www.ccjobs.aol.com.

On the heels of the closure of Tucson's largest midwife practice (see June 1, 2002, *Industry Update*), **St. Mary's Hospital** was expected to **close its birthing facilities** due to the anticipated loss of the hospital's four remaining obstetricians. The obstetricians, who are going to work for the Tucson Medical Center, deliver about three babies a day. If St. Mary's birthing unit closes, the south and west sides of Tucson will be without an obstetrics facility. The Birth & Women's Health Center closed in early June after its primary user, insurer Health Net, cut its fees by 15 percent.

Government

In anticipation of 2½ percent budget cuts for fiscal year 2003 (which begins July 1), the **University of Arizona** has **laid off 100 classified staff**, with **more cuts projected by next January**. Among those losing their jobs were janitors, food-service workers, and parking lot attendants, as well employees of the Research Support Office, which closed June 30 (also see "Government" in Balance of State).

Balance of State

Construction

Although only early in the planning stages, more than 300 Yavapai County residents attended a meeting held by proponents of the **largest housing project in county history**. **Ranch Communities of America** presented plans for a **25,000-home retirement development** that would stretch 15 miles north-west of Paulden (which is about 25 miles north of Prescott on U.S. Highway 89) to near Interstate 40 and Seligman. Many in the audience expressed fears that the development, called **Monument Ranch**, would deplete the now isolated area's underground water supply and cause environmental and light pollution. Build-out for the project would take 10 to 15 years, the developer said.

Transportation, Communications, and Public Utilities

Apparently a proposed **power plant near Wikieup** (about 25 miles south of Kingman) is down, but **not out**. Although the **Arizona Corporation Commission (ACC)** **rejected** the 720-megawatt **Big Sandy power plant** last October, developer **Caithness L.L.C.** of Englewood, Colo., is asking the Mohave Valley Planning and Zoning Commission (and then the ACC) for a last-minute reprieve. Caithness, instead, wants to **build a 500-megawatt, natural gas-fired plant** that would **use a more efficient water system** to cool its steam generators. The ACC rejected the plant last time over water and environmental concerns.

Services

Southwest Arizona's largest hospital and a nationwide healthcare company have **begun work** on **Yuma's first rehabilitation hospital**. **Yuma Regional Medical Center** and **HealthSouth Corp.** have joined forces to **build a 40-bed facility**, which is expected to **employ 125 full-time workers** when it **opens next February**. The \$11 million center will nearly eliminate the need for Yuma residents to travel to Phoenix and Tucson for

rehabilitation care.

Government

While the town of **Prescott Valley** expects to **increase** its fiscal year 2002-2003 **budget** by more than 8 percent, the city of **Flagstaff** will have to **cut** its '02-'03 **budget**, the first annual budget reduction in recent history. **Prescott Valley's** \$42.8 million **budget** will include an **unspecified number of new positions**, while **Flagstaff's** \$128 million spending plan will lead to a **half-dozen job cuts**.

Statewide

Finance, Insurance, and Real Estate

San Francisco-based **Wells Fargo Bank** said in early June it plans to **hire 1,000 new Arizona employees** by **adding 11 new branches** throughout the state (five in Pima County), plus an **operations unit in Chandler** and a **home equity loan-processing facility in north Phoenix**. The latter two projects had been announced earlier (see May 4, 2002, *Industry Update*), but lacked specific details. Wells Fargo said it will **hire 85 financial consultants, trust officers, private bankers, and portfolio managers**, with the **rest** of workers made up of **tellers, and mortgage and bank customer-service workers**. Wells Fargo currently employs nearly 9,000 workers at 240 locations in the state.

Government

Major military installations and **National Guard units** in Arizona have a **\$5.7 billion economic impact** on the **state**, including **employing 83,000 military and civilian workers**, a recent study showed. Conducted by The Maguire Co. of Phoenix, the report said 42,000 workers with an annual payroll of \$1.6 billion are directly employed by nine facilities throughout the state, with Luke Air Force Base in Glendale, Davis-Monthan Air Force Base in Tucson, and the U.S. Army Intelligence Center at Fort Huachuca having the

greatest economic impact. The study was done to stress the importance of military operations to Arizona's economy, in anticipation of **new military base closures planned** by the federal government **in 2005**.

INDUSTRY UPDATE

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